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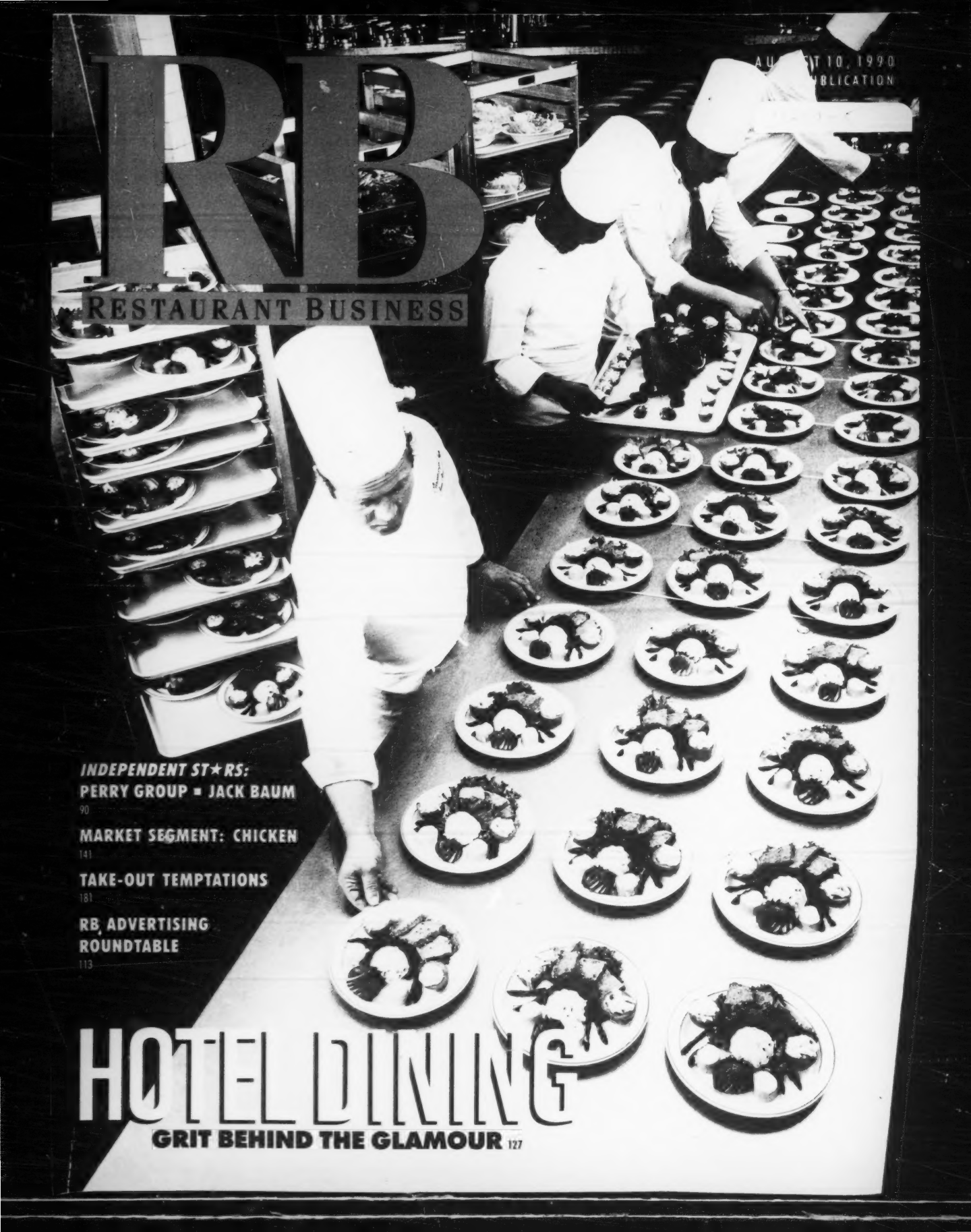
RESTAURANT BUSINESS



INDEPENDENT ST★RS:
PERRY GROUP ▪ JACK BAUM
90

MARKET SEGMENT: CHICKEN
141

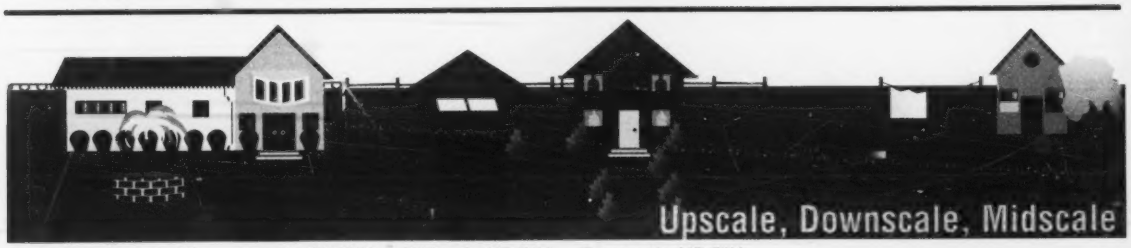
TAKE-OUT TEMPTATIONS
181

RB ADVERTISING ROUNDTABLE
113

HOTEL DINING

GRIT BEHIND THE GLAMOUR 127

BUSINESS BAROMETER



(Figures by household)	Upscale (20.8%)	Midscale (33.3%)	Downscale (45.9%)
Income	over $50,000	$25,000-$49,000	under $25,000
Median Age	42	41	*51
College Educated	47.5%	23.7%	9.7%
Families	88.7%	79.1%	56.9%
Married Couples	82.0%	66.9%	36.6%
Female-headed families	4.1%	8.5%	17.5%
With children under 18	42.7%	41.6%	29.2%
One person in household	5.9%	15.4%	39.5%

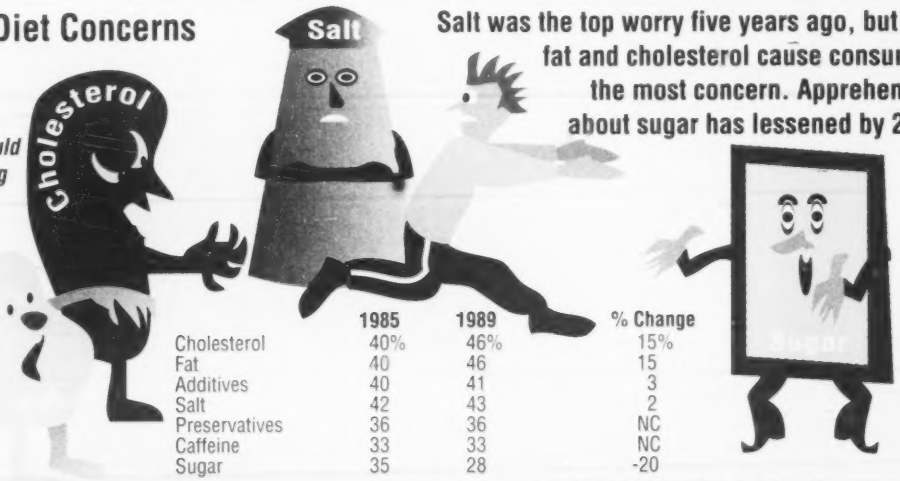
Source: *American Demographics*, using Census Bureau's March 1989 Current Population Survey

* Downscale households skewed to two groups, young and old

Restaurant operators use the terms all the time. Now, *American Demographics* has taken up the task of defining these groups. Downscale households comprise the largest group by far.

Consumer Diet Concerns

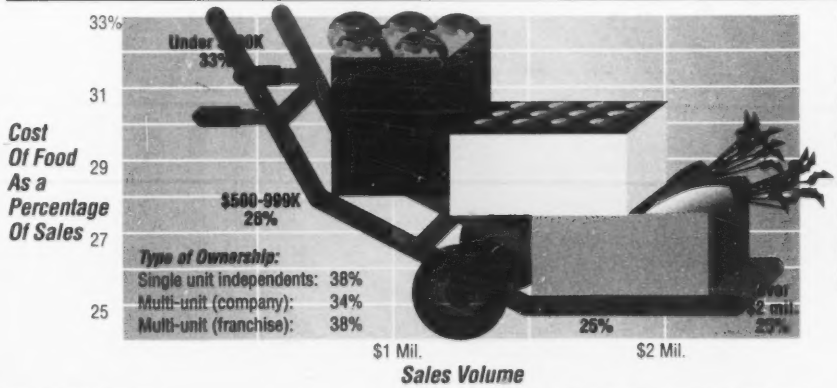
Percent of homemakers agreeing they should be cautious serving foods with the following substances:



	1985	1989	% Change
Cholesterol	40%	46%	15%
Fat	40	46	15
Additives	40	41	3
Salt	42	43	2
Preservatives	36	36	NC
Caffeine	33	33	NC
Sugar	35	28	-20

Salt was the top worry five years ago, but now fat and cholesterol cause consumers the most concern. Apprehension about sugar has lessened by 20%.

Source: The NPD Group's National Eating Trends "Impact of Dietary Concerns" Report



The Cost of Food

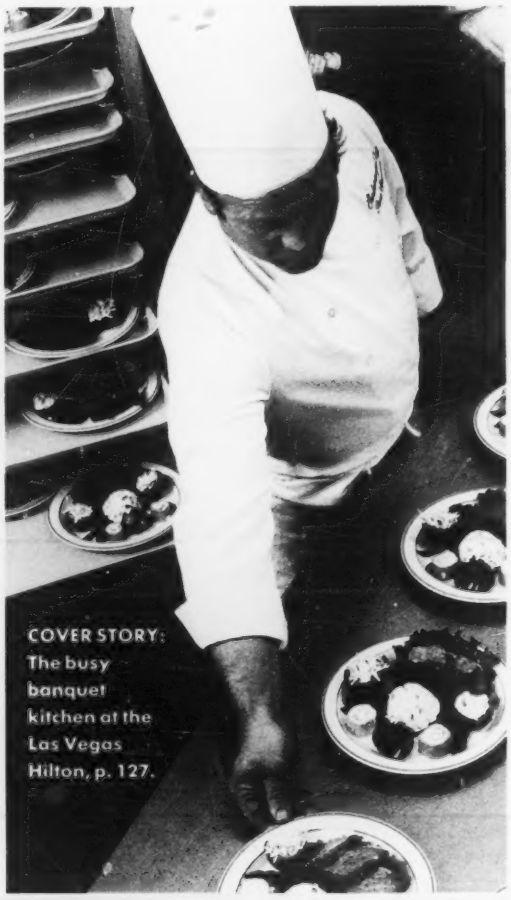
As a percentage of sales, the cost of food for full-service restaurants increases as unit volume decreases. Costs are higher for independents than for chains.

Charts by Peter K. Niceberg

Source: Laventhal & Horwath, Restaurant Industry Operations Report, 1989

RB CONTENTS

AUGUST 10, 1990 VOL. 89 NO. 12



COVER STORY: The busy banquet kitchen at the Las Vegas Hilton, p. 127.

COVER STORY

TRENDS HOTEL DINING. Limited only by clients' budgets and their own imaginations, catering and banquet managers stretch their creativity to turn a coffee break into a special event. Hotel management knows that every food and beverage function can turn a profit, but there are special problems to be solved as well. This report takes an inside look at how the pros do it, and includes coverage of the headaches and triumphs of operations, costing, staffing, and promotions. **127**

Cover photograph by Larry Hanna.

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FEATURES

TURNAROUND STRATEGY RAX. The 500-unit chain is racing to get out of the red and back into prominence as a regional fast-food chain. The concept had become seriously blurred, resulting in negative sales growth and faltering unit expansion. Rax has weaned itself away from dependence on low-margin food bar sales and refocused on its more profitable sandwich business. **82**

INDEPENDENT STAR PEPRY RESTAURANT GROUP. This multiconcept operator based in Burlington, VT, has a philosophy of featuring heart-healthy items on its menus and a cornucopia of locally grown organic products on its salad bars. The company also takes a progressive stance toward recycling and labor. **90**

INDEPENDENT STAR JACK BAUM. Even though he's only 33, the enterprising Baum now owns three Dallas restaurants whose annual sales exceed $6 million. And the entrepreneur stresses that he's strict about maintaining a 10% profit margin. **96**

REGIONAL CHAIN SHELLS. From a single unit in Tampa, FL, this seafood chain has grown to 24 restaurants in three states and $38 million in sales and expects to open 10 new restaurants per year for the next two years. **104**

INDUSTRY EVENT ADVERTISING ROUNDTABLE. With American demographics changing, unit openings outpacing population growth, and ad clutter overwhelming the consumer, the '90s promise to be a decade that keeps the foodservice industry on its toes. That was the consensus among the executives who took part in the chain marketing roundtable cosponsored by RB and the American Association of Advertising Agencies. **113**

MARKET SEGMENT REPORT CHICKEN. Chicken consumption in the United States continues to rise. The challenge for the segment is to take back chicken sales from other fast-food restaurants that also offer chicken, or else find other avenues to increase business. **141**

FOOD AND BEVERAGE

DRAFTS, CARAFES & SPIRITS WHITE GOODS. Each potion has distinctive characteristics, but all share the attribute of mixability. In these long, hot summer months, long, cool drinks can be profitably promoted in your operation. **175**

BAR MANAGEMENT GUIDE. Notable Products. 178

MENU IDEAS **TAKE-OUT.** The growing demand for fast and convenient take-out meals is spurring growth in a foodservice industry that's been sluggish in recent years. Here's how to package your menu for take-out sales. 181

PRO'S PANTRY **NUTS.** One of the oldest foodstuffs known to man, nuts are nutrition powerhouses. They are rich in vitamin B and high in protein. 189

CHEF'S ART **GUENTER SEEGER.** As executive chef of the Dining Room at Atlanta's Ritz-Carlton Buckhead, chef Seeger has brought a little bit of Europe to Dixie. 190

PIECE MEAL **PIEROGI.** Despite their exotic names, krepplach, varenyky, pelmeny, and pierogi are simply Eastern European versions of ravioli or wontons. Their fillings vary from sweet to savory. Pasta dumplings are served poached or fried. 193

COLUMNS AND DEPARTMENTS

BUSINESS BAROMETER 2
LETTERS TO THE EDTIOR 9
CALENDAR 17
RESTAURANT OPENINGS 18
INSIGHTS. Industry News 22
TRADE QUOTES. Stock Market Reports 54
MENU PLANNER'S GUIDE 58
FOOD FACTS. Labeling 76
EQUIPMENT I.Q. Fry Stations 158
BUYER'S CIRCLE. Noteworthy Equipment 162
CLASSIFIED ADVERTISEMENTS 198
LATELINE. Last-minute Newsbreaks 200
INDEX TO OPERATORS 204
INDEX TO ADVERTISERS 204
READER COMMENT CARD 205

INDUSTRY REPORTS AVAILABLE

Reprints of the **1989 RESTAURANT GROWTH INDEX** and the **1990 MAJOR FORCES IN FRANCHISING** are available for $5 per copy. Direct inquiries to Editor Peter Berlinski, *Restaurant Business*, 633 Third Ave., New York, NY 10017.

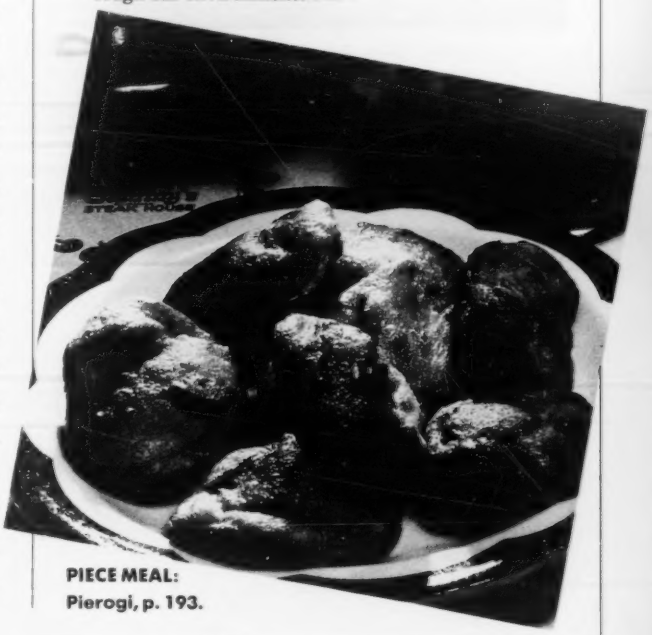
IN THE NEXT ISSUE

COVER STORY **BAKERY MARKET REPORT**
A tremendous market exists for fresh-baked breads, cinnamon rolls, muffins, cookies, pies, and other treats. Restaurants that serve these baked goods are flourishing. However, companies that specialize in the retail bakery business have had a tough year.

SPECIAL FEATURE **HI-TECH KITCHENS**
The back of the house in the '90s can be expected to go through a number of changes and become more automated and productive than ever before. This article will cover current technology such as topside cookers and the impact of sous vide, and will also provide a glimpse into the future.

MENU IDEAS **POULTRY**
This feature will focus on value-added products—namely chicken, duck, and turkey—and highlight their flexibility.

DRAFTS **ALL-AMERICAN BEER PROMOTIONS**
Savvy operators leverage the appeal of regional specialty suds into welcome sales and profits in a tough bar environment.



PIECE MEAL:
Pierogi, p. 193.

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Japanese Beef Comes to U.S.

The oldest steak house in the country may be the first restaurant in the nation to serve the most expensive beef in the world. Greg and Marc Sherry, owners of The Old Homestead Steak House in New York City, say they will be serving pricey Kobe beef from Japan this summer after at least one Japanese slaughterhouse meets United States Department of Agriculture (USDA) standards for importing beef.

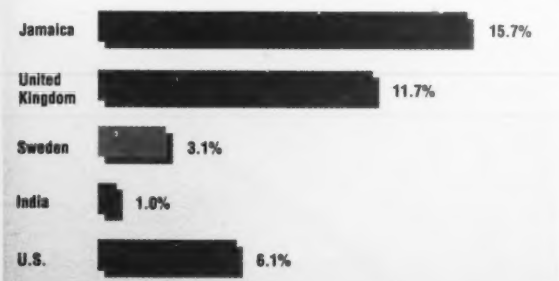
"I'm getting the first batch that will be coming in," says Greg Sherry of his deal with Toshoku America Inc., a New York import and export company. The beef will be the first to be exported by Japan to the U.S. in more than 20 years.

Kobe beef comes from a breed of cattle that is hand-massaged and fed a special diet. The Old Homestead has been trying for two years to get the beef, but Japanese slaughterhouses did not meet USDA regulations for export here. However, the necessary modifications to meet USDA approval were expected to be met this summer.

The Sherry brothers say they will price a 12-oz. portion between $100 and $120.

In anticipation of serving Kobe beef at their restaurant, which was established in 1868, the Sherry brothers have already purchased rosewood-handled steak knives and commissioned designer Charles Morris Mount to create special plates. "If you are going to serve a steak priced in excess of $100, it cannot be served on an ordinary plate," says Sherry.–**M.A.**

AMERICA VS. THE WORLD

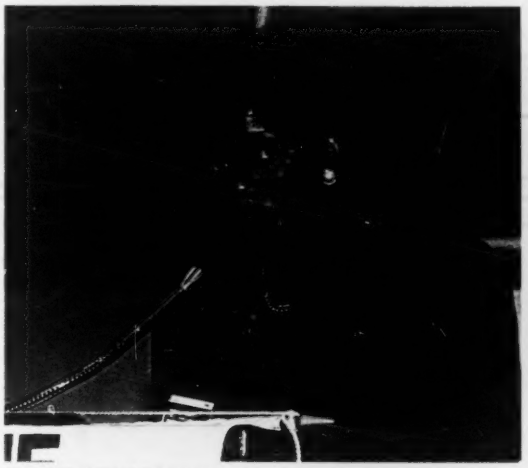


Food Away From Home (Percentage of Total Personal Consumption Expenditures)

Americans rank about average as away-from-home food spenders in restaurants, cafes, and hotels compared to those in 30 other countries for which data is available from the United Nations System of National Accounts. The highest percentage of any country is in Jamaica, where 15.7% of personal expenditures is spent for food-away-from-home. While most Western European countries such as the U.K., Italy, and France spend a greater percentage of incomes than Americans, most Scandinavian countries like Sweden, Norway, and Denmark spend less.

SOURCE: National Food Review

STEVE HULL



THE WOMEN'S FORUM

Patricia Harris, director of McDonald's Changing Workforce, moderated the first public meeting of the Women's Forum for Foodservice Executives at the NRA Show.

Shoney's Woos Blacks

Early this summer, Shoney's spent an estimated $250,000 touting its Captain D's chain to African-Americans throughout the Southeast, through a 30-second radio jingle aired on 22 radio stations in 12 cities.

"Shoney's had never done any radio advertising like this. Running ads specifically targeted at blacks is something new for the company," says Nate Moore, president of Moore Little Inc., a black-owned advertising agency in Atlanta hired by Shoney's to handle all minority-targeted ads and PR.

In April 1989, the NAACP Legal Defense Fund filed a class-action suit against Shoney's, alleging discrimination in hiring and promotions, which is still pending. Then, in August 1989, Shoney's signed an agreement with the Southern Christian Leadership Conference pledging that some $90 million in customary spending over the next three years—such as contracts with vendors, charitable contributions, community service programs, and management programs—be minority-focused.–**Don Nichols**

Food Fracas In Boca

Only months after opening, Hoexter's Market in Boca Raton, FL, has changed chefs. Nationally acclaimed chef Norman Van Aken departed the restaurant over what has been termed a "philosophic difference" with owner Robert Shapiro.

Taking his place is former sous chef Tom Sadler, a 1986 graduate of the Culinary Institute of America and a veteran of several restaurants in Boston and Florida.–**Scott Allmendinger**

continued on page 50

RB
RESTAURANT BUSINESS

COVER STORY

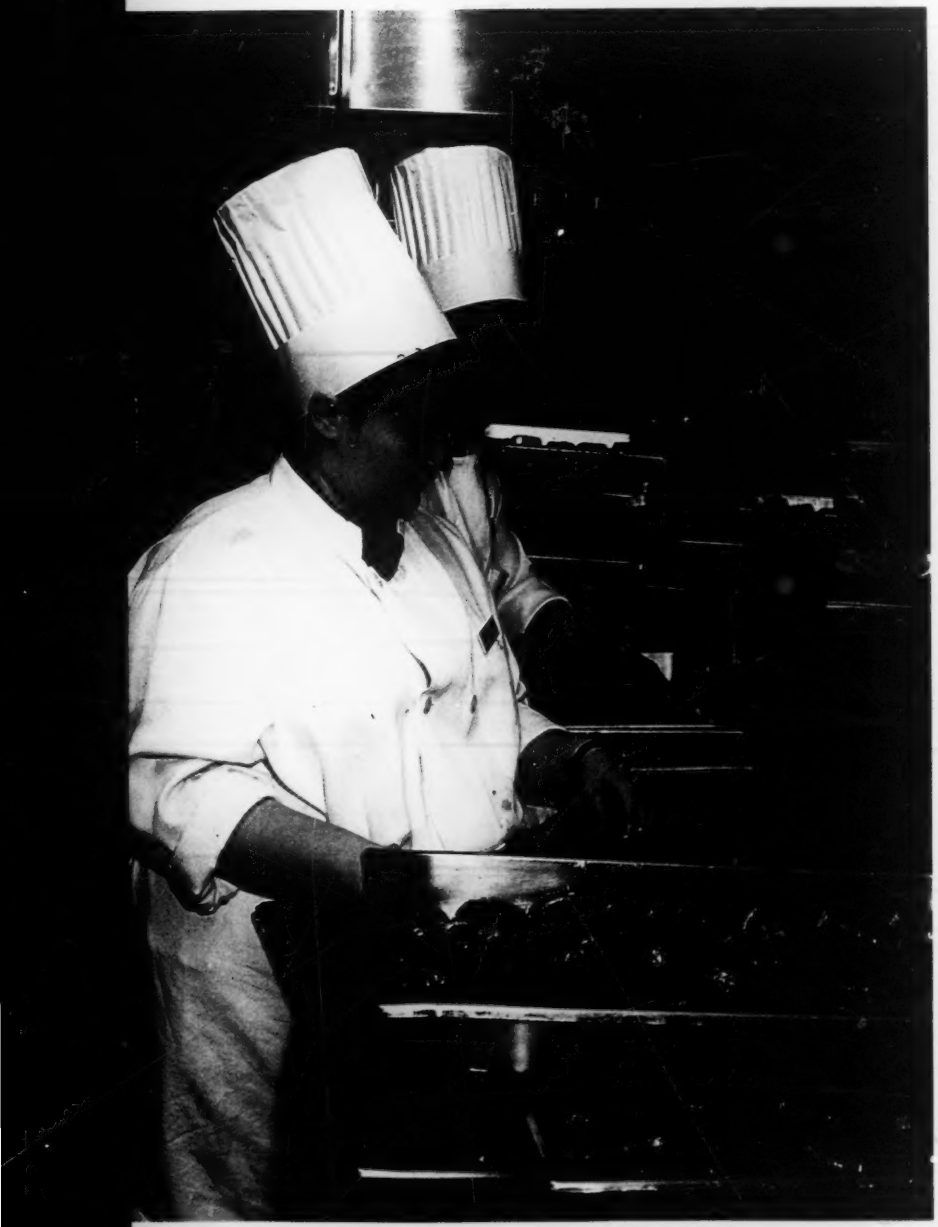
WHETHER IT'S AN ICE cream parlor-themed meeting break or a Pacific Rim luau under the stars, catering and banquets are a hotel's food and beverage image makers and money generators. Limited only by clients' budgets and their own imaginations, catering and banquet managers stretch their creativity to turn a coffee break into a special event. Catering and banquet directors and hotel management know that every food and beverage function can turn a profit, but there are special problems to be solved as well. This report takes an inside look at how the pros do it, and includes coverage of the headaches and triumphs of operations, costing, staffing, and promotions.

Continued on page 128

HOTEL DINING

GRIT BEHIND THE GLAMOUR

By Denise M. Brennan



TO FULLY appreciate the difference between the catering/banquet side of hotel food and beverage and the à la carte restaurants, look at any property's P&L statement. Black-inked profits indicate catering and banquets' status as money generators within the hotel while profitability in the à la carte restaurants remains more elusive.

Hotel restaurants pride themselves on their signature status within their communities. However, social functions are often the locals' first taste of a hotel's food and beverage capability.

Patrons in the area who are too intimidated by a hotel restaurant view a special event as an appropriate opportunity to rate a hotel's food and service. Knowing this, catering and banquet directors showcase the caliber of a hotel's food and beverage department and take advantage of the opportunity for creativity.

"Over the last 20 years, it is possible to trace the evolution of catering/banquet business from an afterthought to an enhancement for hotels within their communities," says Brent Ashton, Certified Catering Executive, director of catering for the Omni Shoreham Hotel in Washington, DC, and outgoing president of the National Association of Catering Executives. "Today, catering builds your image in the community and makes your name well-known in a city." Ashton knows the business well (he was recently named Omni's catering director of the year) and under his direction, the Omni Shoreham books 450,000 covers annually and generates $7 million in sales. According to Ashton, catering at the Shoreham is the image center. Approximately 55% of the catering/banquet business is social business.

PLANNED PROFITS. Ashton attributes the high profitability of catering/banquets to the specifics of planning. "When it comes to a booked function, you know in advance what your food and labor requirements will be. This, in turn, enables you to schedule your staff and purchase the food more efficiently," he explains. For example, while a hotel has a core service team, an expected influx of people for a function may require additional staff. This variable staff will be hired for a specific function for

At a time when profits from hotel restaurants remain largely elusive, catering and banquet departments are generating plenty of black ink at the bottom line.

a relatively short work time frame.

Although the Omni Shoreham provides some prepriced printed menus, custom-tailored menus reflect Ashton's confidence in the hotel's culinary team and his staff of four. "Customized catering allows us to upsell the function. We develop the menu by listening to what our customer tells us. We pull the elements together and cost out what we need to make a profit. Once we determine our prime cost, we can establish our price," explains Ashton.

While creativity plays a crucial role in wooing a client, Ashton urges a mix of resourcefulness and whimsy. "Not everyone is instantly creative. The key is to be prepared. Research. Go through the books and spend time for the first client presentation. It is also imperative to get the proposal out in a matter of days. You can't give the client the opportunity to see someone else in the meantime," he says.

GLITZ AND GLAMOUR. A glittering strip in the American desert, Las Vegas is a major convention destination attracting visitors from around the world to its 80,000 hotel rooms. At the Las Vegas Hilton, the three P's for successful banquets/catering functions are: pride, perfection, and personality.

LEFT: At Opryland USA, 150 servers, 125 culinary employees, and more than 100 stewards are involved in banquets and catering. ABOVE: With over 300,000 sq. ft. of public space, Opryland is a major function destination.

Our staff works as a close-knit team and has a tremendous sense of pride in what they do," says Paul Houdayer, vice president of Hilton Hotels Corp. And there is no doubting it takes an eye for perfection to guarantee that the 17 kitchens produce 450,000 sit-down meals annually for group functions in the 3,150-room hotel. The Las Vegas Hilton boasts 250,000 sq. ft. of convention space that can be used for banquets, ballrooms, or exhibits. Considering the size and scope of the Las Vegas Hilton, it is not surprising that 90% of the hotel's catering and banquet business is convention related and 60% of convention check-ins is return business. In 1989, catering/banquets generated $10.9 million in food sales and $2.9 million in beverage sales.

OBSESSIVE PLANNING. Under the watchful eye of Gus Moser, director of catering, the Hilton team works within a "practically perfect" system of quality control that is fine tuned daily. Obsessive planning is a necessity considering the not-unheard-of possibility of serving 19,000 people at 30 different functions in one day.

"Tableside service and the entire food-prep process requires the chef to control the timing of the food to ensure a quality meal," explains Moser. In turn, the catering/banquet manager requires the client to provide a detailed timetable.

The success of a function hinges on the quality of communication between the catering department and the client and the catering department and the kitchen. In adhering to the "catering credo" that you "don't promise what you can't deliver," each participant's role must be clearly defined.

Moser explains the process, which includes a detailed plan of action: "Two to three months prior to the convention's arrival, a product meeting is held with all departments. At this meeting we determine the logistics demanded by the convention. We also consider the inventory of equipment, materials, and props needed."

STAFFING. Approximately 48 hours prior to the function, the Culinary Union is notified if the hotel needs back-up help. The core staff consists of 350 on the chef's team, 50 servers, 30 on bar, 60 on housekeeping, eight in management, three in set-up, and three in services.

The day of the function, the front- and heart-of-the-house employees will be divided into color-keyed teams. "This alleviates all of the service people descending on the kitchen at the same time. It organizes the chaos that serving 4,000 people at once might create," says Moser.

VIP TREATMENT. Minneapolis-based Radisson Hotels International Inc. bills itself as the Big Name in Small Meetings. The recently introduced sales and marketing campaign aims to provide optimum service and technology for meeting planners representing small groups. Steve Houser, corporate director of sales for Radisson Hotels International explains the strategy behind the program: "More than 80% of the meetings held at Radisson are for groups of 75 people or less."

Radisson offers a small meetings specialist who covers the details and assists clients from planning to follow-up. Radis-

continued on page 132

EXOTIC PARTY THEMES

AT THE FOUR SEASONS VANCOUVER, A COFFEE break for a group of food and beverage executives played out the Canadian national passion for hockey. A portion of the hotel's ballroom was transformed into a hockey playing area complete with goal. Meeting participants were handed a hockey stick and given three shots at scoring. The goal was protected by a hotel employee dressed as goalie in full hockey attire. The winner received an official Vancouver Canuck hockey team shirt. The service staff, dressed as referees, handed out typical hockey game fare of hot dogs, popcorn, ice cream bars, beer, and soda.

- Holiday Inn franchisees gathered at a reception featuring cuisines of the world. Crowds were thin at the "Africa" station; lion meat did not seem to be a group favorite.
- Walking into the ballroom of the Las Vegas Hilton must have been a surprise to unsuspecting conventiongoers. Gone was the gambling resort's glitter; it was replaced by a barnyard setting complete with roosters crowing on cue. Walking through an orchard of trees heavy with oranges and apples (artifically and artfully hung by the Las Vagas Hilton staff), attendees could feast on hot flapjacks served on wooden crates topped with red-checkered cloths.
- Somehow, the last thing even a jaded New Yorker would expect to find inside the swank Waldorf-Astoria Hotel is Barnum & Bailey's Circus, especially at a $1,000 per-person dinner. But make no mistake, a group of dancing elephants sashayed its way across the middle of the ballroom during a black-tie function.
- The Orlando Hyatt believes strongly in the mystique of the Florida bayou. In fact, a bayou-themed party held at the Orlando Hyatt includes indigenous foods such as alligator meat. If the guest prefers the alligator raw, alligator wrestling can be arranged.
- Chrysler automotive executives en route to Japan found Tokyo in the ballroom of the Radisson Plaza Town Center in Southfield, MI. The Japanese-themed dinner included traditional food, music, and kimono-clad Radisson servers.
- At Stouffer's Maui Wailea Beach Resort, the Pacific Rim party features a breathtaking array of food. Stations include items representing Chinese, Japanese, Hawaiian, New Zealand/Australian, Tiki, and Philippine cuisines. The entertainment ranges from Oriental flag dances to Japanese karate demonstrations. No evening is complete without a performance of the traditional hula and a fire-eater.–**DMB**

son backs its entry into the small meetings business with a performance agreement and a money-back guarantee.

The company is running a special all-inclusive Small Meetings Package until the end of the year. The package price includes conference room rental, lunch and coffee breaks, parking, upgrades or best room available for planner, flat rates for sleeping rooms, free local telephone calls, and audio/visual aids. As an incentive, agents who book small meetings at Radisson will receive a 10% commission from the total fee.

Catering posts 50% of total food and beverage sales at Radisson. "We looked at catering and our merchandising efforts," says Michael Glynn, corporate director of food and beverage. "We wanted to increase our market share and targeted a point of difference: the small meeting."

Today's meeting planner is dramatically different from his or her counterpart of the past, notes Glynn. "The meeting planner is experienced in booking functions, has higher expectations, and demands more," he says. This galvanizes the catering/banquet departments and keeps food and beverage from falling into routines. As a result of higher expectations, Radisson chefs are becoming more involved in the closing of sales. "The catering director might bring the chef and client together before a deal is closed. The chef's involvement adds a personal touch to negotiations," says Glynn.

SPECIAL CELEBRATIONS. At the New York City's Waldorf-Astoria, a Hilton Hotel, society is the name of the game. Indeed, when it comes to catering and banquets, the season at the Waldorf lasts all year long. Make no mistake, social business (50% of the Waldorf's catering sales) is big business: Catering/banquets contribute 75% of total food and beverage sales volume with restaurants and room service making up the balance. "This contribution has a dramatic impact on the bottom line," says James Blauvelt, director of catering for the well-known property.

At the Waldorf, Blauvelt's 10-member sales team is booking business 12 to 24 months out and his 20-member administrative staff is following up on the details. Much of the business is repeat and Blauvelt notes that some accounts date back 50 years. "We nurture the history and relationships we have developed over the years," says Blauvelt. Of course, the social business does not preclude the hotel from booking significant numbers of corporate and convention business.

Blauvelt insists that all of the public space in the Waldorf is banquet space. For example, he recalls a gala planned for the fashion industry where the Park Avenue entrance of the hotel was closed and the foyer and tiered lobby area served as a backdrop for dinner and dancing. Thanks to the $150 million restoration completed in 1988, the art deco details that helped shape the Waldorf's reputation were restored.

Planning a function begins with the client call. Blauvelt or a member of his team sits down with the prospective client

Catering and banquets showcase the caliber of a hotel's food and beverage team, and provide an important opportunity for the staff to exercise some creativity.

and checks the calendar to see which rooms are available. "We also check to see what other business is around the hotel to ensure there are no conflicts," he adds. Once the date and location of the functions are settled, the budget is structured. "Dinners begin at $100-a-head minimum," says Blauvelt. His office then follows up with the proposal that details the financial and logistical parameters.

For example, a seven-page call sheet for a reception/buffet dinner/dance for 350 at the Waldorf includes menu listing, specifics about set-ups, service notes, schedules, decorations, tax, gratuities, guarantee, and payment. The document takes the client's demands and translates them into hotel language so the supporting departments can fulfill their obligations.

Holiday happenings at Opryland USA in Nashville have a country flair, thanks to the efforts of the catering and marketing departments. Opryland's Country Christmas runs from the third week in November through December 25 and guests are treated to the foods and traditions of the South as well as to a nightly show at the Grand Ole Opry.

"During this period, traditionally quiet for the industry, we serve over 45,000 meals," says Roger McAleese, Certified Food/Beverage Executive, director of support services, for the 1,891-room hotel.

FAR LEFT: Opryland's total 1990 F&B revenues are expected to hit $45 million. RIGHT: The hotel counts more than 60% of its foodservice volume from catering.

Opryland is the 12th largest hotel in the U.S. and its 300,000 plus sq. ft. of public space makes it an ideal choice for meeting and convention planners looking for Southern hospitality. According to McAleese, total food and beverage revenues in 1990 should hit $45 million with 60% of those dollars generated by banquets/catering. "Trends are changing here. In the past, banquets contributed 70% of total F&B revenues. Now, we may capture only half of a major group of 4,000 people for an organized food function."

Opryland's food and beverage management team reviews the opportunities proposed by the catering/banquet departments. The team consists of the catering director, the banquet manager, the banquet set-up director, the executive chef, the banquet set-up supervisor, the executive bartender, and the support services director. The group meets 30 to 60 days prior to the function to hash out the problems and make sure all the resources are available.

CHAIN OF COMMAND. In some hotels, catering reports to sales; in other hotels, catering reports to food and beverage. At Omni Hotels International, the catering function was recently moved under the food and beverage umbrella. Peter Hothorn, senior vice president of food and beverage for the Hampton, NH-based chain, explains: "We moved catering to food and beverage, because our priority is to be competitive," he says. Hothorn has a three-month window to prepare everyone for the organizational change.

Because Omni food and beverage directors needed exposure to selling techniques, Hothorn is requiring them to attend the company's Professional Selling Strategies course. The three-day program is an interactive program that uses a variety of mediums to fine-tune listening and selling skills.

According to Chuck Pacarelli, corporate director of training for Omni Hotels, this program instructs the participant on handling three important selling problems: skepticism, indifference, and objection. "Skepticism is when the customers says 'but.' It is important to offer the customer proof that your product is right for them. When handling indifference, the seller must uncover what the customers need. When handling objection, the seller must take direct and immediate action," says Pacarelli.

MOVING OUT. While Omni moves its catering function under the food and beverage umbrella, the Hyatt Regency Chicago is busy moving its catering business beyond the walls of the hotel. A little more than 18 months ago, the hotel set up a

continued on page 134

The Crescent Court's banquet and catering style mirrors the image of the small, upscale property; 60% of the business is social, and 40%, corporate.

separate division within the banquet/catering departments called Regency Caterers. In 1989, total banquet/catering revenues at the Hyatt Regency Chicago were $17 million, with the Regency division contributing $1 million. In 1990, sales for Regency group are estimated at $2 million.

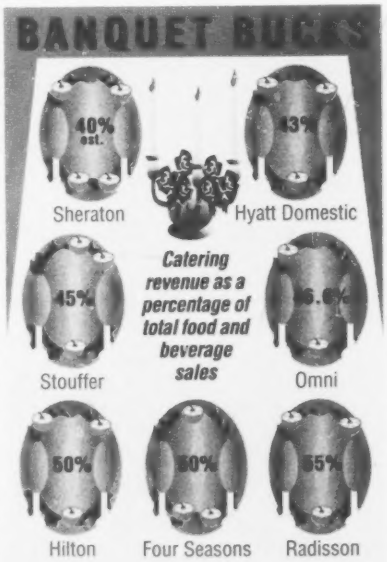
"The division, which reports to me, caters functions on off-premise sites throughout Chicago," says John Svenson, director of catering. "The trend for local groups is to move away from the traditional ballroom. Through Regency Caterers division, we have catered events at the Navy Pier, the Field Museum, and the Planetarium." While Regency Caterers is competing with other local caterers, positive word-of-mouth recommendations boost business. "Many of the committees that book this business share the same members. As a result, a guest at one of our off-premise functions becomes the client for a special event somewhere else in the city," explains Svensson.

Customers benefit because Regency Caterers can draw on the resources of the Hyatt Regency Chicago and the other hotels Hyatt operates in the city. "On days when we might be stretched thin, we can call one of our sister hotels and ask them to send additional staff. For us, the obvious benefit is the staff we receive is Hyatt quality and Hyatt trained," says Svensson. Preprinted and customized menus are available to the client. Foods are prepared in the kitchen at the Hyatt Regency Chicago and transported to the site.

In addition, hotel amenities are offered to the clients. These include special rates at the hotel, Hyatt-uniformed doormen at the entrance of the off-premise site, and donations of weekend packages as raffle or door prizes. "It is a wonderful marketing opportunity for us," says Svensson. He does not see the off-premise function as "all that different than catering inside the hotel. At first, I would worry that we had left something behind. You can't run down the hall if you have forgotten something. But we have an exhaustive checklist to ensure those kinds of mistakes do not happen."

At the Hotel Crescent Court in downtown Dallas, catering, like all other aspects of the hotel business, is on the rebound as the city slowly rebuilds its economy. "The softness in the Texas economy caused some suffering," says William Anderson, director of food and beverage for the 188-room property. The Hotel Crescent Court is part of the Rosewood Hotel Group, the hotel development, management, and operational organization of the Rosewood Property Company and the Caroline Hunt Trust Estate.

The Crescent Court's banquet/catering style mirrors the image of the small, upscale property. Approximately 60% of the banquet/catering business is social; the remainder is corporate. This makes for an interesting mix of the savvy corporate meeting planner and the social planner who needs or wants the maximum amount of hand-holding. "Our expertise is in smaller catered affairs—no more than 220—where we can control the quality of the overall experience," explains Anderson. Referring to the Texas economy, Anderson points out that while the Crescent Court was the "obvious quality choice" in social/corporate catering, budget constrictions required a revamping of pricing structure. "We needed to re-educate the public's perception about how expensive we were."



In Dallas, once the scene for lavish social entertaining, the dollars are not nearly as conspicuous now. "Where we once got by on the scope and quality of the business, we are now hustling," reports Anderson. "We were forced to sell rather than take orders." Although business is better, Anderson doubts that the economy will ever rise to the heights of the past. As a result Anderson monitors the catering sales progress on a weekly basis. The top 20 accounts are on a regular maintenance cycle. Although there is no denying the inherent profitability, ever-increasing profits are by no means a sure thing. "The biggest challenge is rebuilding beverage business," says Glynn of Radisson. "We have to be even more creative." RB

continued on page 136

CHART BY PETER NICEBERG

CHICKEN

By Carol Casper

Lee's Famous Recipe is trying to compete by broadening its menu to include more nonchicken choices.

The good news is that chicken consumption continues to rise. The bad news for chicken specialty restaurants is that much of this growth is not taking place in their operations. The challenge for this market segment is to take back chicken sales from other fast-food restaurants that also offer chicken, or else find other avenues to increase business.

Per capita chicken consumption hit another new high in 1989, 68.8 lb. according to the National Broiler Council, Washington, DC, a 3.7% gain over the 1988 figure of 65.1 lb. per U.S. resident. The Council is predicting a stronger increase in 1990 of 6.7%, to 73.4 lb. per person.

Production is up 7.5% over a year ago, notes Bill Roenigk, the National Broiler Council's director of economic research. Aiding the trend toward increased consumption is a downward swing in wholesale broiler prices.

However, so far these positive developments have not done much for the troubled chicken segment. Dollar sales increased about 4% in each of the last two years, but most or all of that growth was due to price inflation, while traffic counts have actually been flat or slightly down, notes Bob O'Brien, director of sales and market development for NPD/CREST, Park Ridge, IL, which supplied the figures.

SHRINKING STATISTICS. The difficulties the segment is experiencing are underscored by the fact that the number of chicken restaurants in the U.S. actually shrank in 1989 according to RE-COUNT statistics from the Restaurant Consulting Group Inc, Evanston, IL. The total number of locations, 12,092, is down by 200 units or 1.6% compared to 1988 figures. The only areas where counts showed any increase were New England and the Pacific states.

In the South Atlantic, which still boasts the largest number of chicken locations with 21.2% of the nation's total, the number of units decreased by 2.7%. In other regions, units shrank by 5%.

continued on page 142

Many nonsegment chains are now also menuing chicken.

CHICKEN

Per-capita chicken consumption hit an all-time high.

While competition within the segment remains fierce, perhaps the biggest challenge to many operators is posed by other fast-food restaurants, which have found chicken a winning addition to their lineups.

"Every time another large chain adds a chicken sandwich, it hurts us a little," comments Bill Hennings, president of SIS Corp., which operates Sisters Chicken & Biscuits, Westlake, OH.

One strategy a number of chicken chains tried recently to offset the incursion into their sales was a broadening of their own menus to include more nonchicken choices. A few, such as Shoney Corp.'s Lee's Famous Recipe, have had some success with this approach. A number of other companies, however, have since pulled back and are concentrating once again strictly on chicken, but looking to broaden appeal by finding different ways to serve it.

Sisters is one chain that has come to this conclusion. Hennings thinks at this point the best way for chicken operators to compete is to restrengthen their original focus on fried dinners, "because it's a fairly complicated product, one not easily duplicated by the nonchicken chains that can all offer a grilled chicken sandwich pretty easily."

On the other hand, he adds, "The fried chicken market is not growing, so we need to add other chicken products like grilled items and sandwiches."

OUTSIDE COMPETITION. Another difficulty for chicken operators, O'Brien points out, is that many different types of restaurants have recently moved into an area that traditionally has been one of the segment's strongest points: packaging take-home dinners for the off-premise market.

"Also," he points out, "consumption of fried foods is on the wane." This development is prompting many traditional operators to add nonfried items. Another step some are taking to improve their competitive position is developing more lunch and snack-oriented items to offset losses or lack of growth at dinner.

Not every operator is in the doldrums, however. While a number are struggling to recover from Chapter XI bankruptcies, a handful have had good to excellent years.

Mammoth Kentucky Fried Chicken, which dominates the segment with approximately 50% of the total U.S. market, had a fairly solid year—although the largest share of its growth came from international sales.

Other chains that fall outside the traditional fried chicken dinner market also showed some excellent growth, most notably Chick-fil-A, which concentrates on sandwiches, and El Pollo Loco, which features Mexican-style charbroiled chicken.

TURNAROUNDS. Some chains with more traditional fried chicken menus are also reporting turnarounds.

In addition, two small, regional players are set to take their concepts national, expressing their confidence that there's still real life and room for growth in the chicken market.

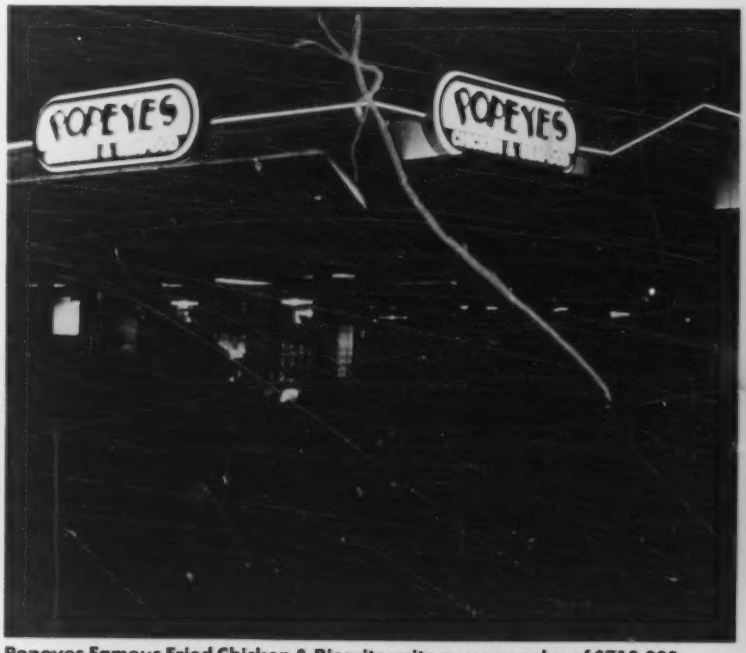
Dick Detwiler, director of public affairs for Kentucky Fried Chicken, Louisville, KY, notes that one challenge all quick-service restaurants face today is a more demanding consumer.

In late 1989, after a year in test, it took its Colonel's Chicken Sandwich systemwide. Consisting of a fried white meat patty, the sandwich also became available in a deluxe version with Canadian bacon and cheese early this year.

In March, the company introduced Hot Wings, spicy, marinated fried chicken wings. This snack-oriented item has done "phenomenally well," says Detwiler.

VALUE. For budget-conscious consumers, this spring the chain also introduced a Value Sandwich priced at 99¢,

continued on page 144



Popeyes Famous Fried Chicken & Biscuits units average sales of $710,000.

CHICKEN

consisting of a dark-meat, breaded chicken patty.

Meanwhile, KFC is continuing to test chargrilled chicken on a limited basis. More units will begin offering chargrilled product this year but it will not be widely available until 1991.

KFC is also continuing to roll out its 38 Series stores, which feature more seating, contemporary decor, and more cash registers to serve customers faster than older units do, plus a new computer system.

There are now 60-plus such company-owned units as well as additional franchised locations. The company-owned rollout will continue throughout this year and should be completed in 1991.

EXPRESS. The chain is also experimenting with KFC Express: a limited-menu, all-take-out operation geared to areas with high pedestrian traffic. There are currently three company-owned sites plus some franchised. In concert with two other PepsiCo concepts, Pizza Hut and Taco Bell, KFC is also trying out an "All In One" restaurant design featuring abbreviated menus from all three operations with different service counters but common seating areas.

KFC's new formats and products to a large extent are geared to helping the chain capture a greater share of lunch and snack business.

"We have always done and will continue to do the bulk of our business at dinner, but we view lunch and snacks as a great opportunity," says Detwiler. About half of sales currently derive from dinner, one-third from lunch, and the remainder from other hours. Some 75% of volume is take-out or drive-thru.

KFC's total systemwide sales hit $5.4 billion in 1989, including $3 billion in the U.S. market. That represents a 3.4% increase in domestic sales over 1988, while volume outside the U.S. rose roughly 20%.

Domestic units numbered 4,937 at the end of 1989, of which 1,340 were company-owned. International locations totaled 3,008, including 772 stores that are company-owned or joint ventures. Average annual unit volumes for

continued on page 148

Kentucky Fried Chicken introduced Hot Wings, spicy, marinated fried chicken wings sold in portions of six or 18 pieces.

CHICKEN

company-owned stores climbed slightly to a little over $700,000, while average volumes systemwide ran $680,000.

UNWIELDY. Many eyes in the industry are currently focused on KFC's largest competitor, the now-united Church's Chicken and Popeyes Famous Fried Chicken & Biscuits chains, following their merger last year under the banner of Al Copeland Enterprises Inc., Jefferson, LA. When the founder of the highly successful Popeyes acquired the larger, but troubled Church's last year, many observers applauded chairman Alvin Copeland's gutsy move, although at the same time wondered how he would achieve his goals of bringing Church's back in the black and increasing its flagging sales by 20%.

Now some analysts report the organization is "scrambling" and express concern that Copeland may have been "in the right place at the wrong time."

"He has not been able to sell off Church's units to franchisees as quickly as he had planned in order to reduce the massive LBO debt that resulted from the deal," comments one observer.

Copeland undertook a herculean task in attempting to revitalize Church's, which had a net loss of $14.5 million in 1988, and whose revenues had fallen off a total of 35% since 1985.

DISSATISFACTION. Under its new management, Church's has continued to close stores, but the planned conversion of 400 locations to Popeyes units is proceeding slower than Copeland had planned. There are also reports of dissatisfaction among Popeyes franchisees. In the meantime, Church's systemwide sales shrank to $530 million in 1989, from nearly $560 million in 1988. One healthy signpost that turnaround efforts may be succeeding, however, is that average annual unit sales did increase roughly 10%, to $415,000.

The number of Church's units at the end of 1989 stood at 1,111, of which 807 were company-owned.

In addition to sit-down service, new Grandy's units feature drive-thrus.

Popeyes, on the other hand, showed another year of good growth, with sales advancing more than 8%, to $525 million systemwide. This increase came with an addition of just 24 units for a total of 739 at the end of 1989, 113 of which were company-owned. About 70 more stores should open in 1990, according to a spokesperson. Average unit volumes rose to $710,000.

Church's this spring rolled out a new foot-long chicken sandwich, consisting of two six-inch chicken filets with lettuce, pickles and flavored mayonnaise on a roll for $1.99. Church's also introduced new nonchicken selections: a three-piece fish dinner with cole slaw and fries for $3.59, and a nine-piece, fish-only box for $6.99. Earlier this year, Popeyes debuted roasted chicken systemwide. The product is sold in quarter and half chicken platters or as a whole chicken.

The chain's single, freestanding Super Popeyes in Metairie, LA, is also reported to be doing well with a menu that offers mainly Southwestern-style grilled items, including quarter, half and whole chicken with tortillas, vegetables and pico de gallo sauce.

NONFRIED ITEMS. Despite increasing competition from other operators add-

continued on page 150

DISTRIBUTION OF CHICKEN RESTAURANTS

by U.S. Census Regions

	UNITS	%
New England	264	2.2
Middle Atlantic	1,011	8.3
East North Central	1,918	15.9
West North Central	698	5.8
South Atlantic	2,566	21.2
East South Central	1,003	8.3
West South Central	2,327	19.2
Mountain	589	4.9
Pacific	1,716	14.2
Total Chicken Restaurants: 12,092 units, or 3.2% of total U.S. restaurants		

Source: RE-COUNT '89, Restaurant Consulting Group Inc.

CHICKEN

ing nonfried items, the El Pollo Loco division of Denny's, owned by TW Services, racked up probably the biggest percentage increase of any major chicken chain in 1989. The Irvine, CA-based company upped sales nearly 45% to $175 million in 1989, and opened approximately 40 new units for a total of 190 at year's end. There are also 20 units in Japan.

Jim Verney, division leader, notes that the company should have close to 225 units by the end of 1990, and will continue to open more stores at a somewhat slower rate of 25 to 30 per year.

Average annual unit sales are running over $1 million.

Like numerous other chains, El Pollo Loco has hopped on the sandwich band wagon, testing a boneless grilled chicken breast sandwich. The sandwich should help the chain build lunch sales, which currently account for 35% of volume. It's also a natural for drive-thru. Currently 35% of sales stem from drive-thru windows.

Another chain that performed well in 1989 is Atlanta-based Chick-fil-A. Sales rose 13.6% to $263.8 million for calendar 1989, and average annual unit volume grew to $660,000.

The firm had 411 stores at the end of 1989, all company-owned, and will open 35 more during 1990.

A major change for the company in recent years, notes manager of public relations Don Perry, has been its move to some freestanding locations. There were 16 by the end of 1989 and 12 more should open in 1990. With annual volumes of over $1 million, the freestanders do nearly twice the average unit volume of mall stores.

Chick-fil-As are located in 31 states, with the highest concentrations in the Southeast, Southwest, and up the Eastern seaboard as far as but not including New England. Expansion plans call for a greater push in the Northeast, but the firm still sees its biggest opportunities in filling in Southeast markets.

Chick-fil-A added two chargrilled items, a breast filet sandwich and a chargrilled chicken garden salad. The sandwich is priced the same as the Chick-fil-A original at $1.99, while the salad sells for $2.69.

Also, last fall, the company reintroduced its Chick-n-Q barbecue sandwich in an upgraded version with larger chunks of naturally hickory-smoked chicken, still at its original price of $1.79. This June, the company introduced its newest product, a diet fresh-squeezed lemonade.

WELL MANAGED. Lee's Famous Recipe Chicken, owned by Shoney's Inc., Nashville, is another chain that is perceived by many industry analysts to be well managed and doing well, even though systemwide sales remained flat in 1989 at approximately $150 million.

The chain operates a total of 282 company-owned and franchised units, actually down one from 1988. Total sales for the 48 company-owned stores increased 8.5% in 1989, and per-unit volumes rose over 7% to $601,000, while average systemwide unit sales ran $530,000.

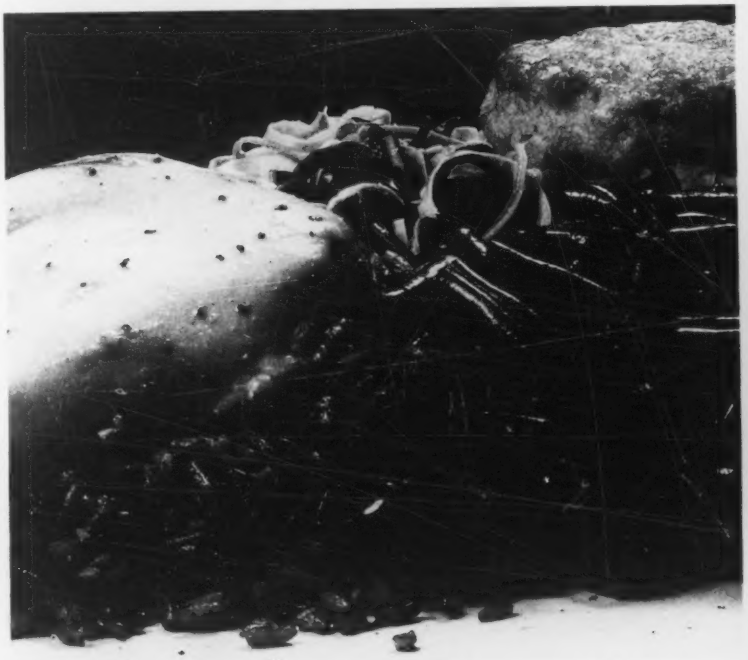
The company expects to open a combination of 12 new company-owned and franchised units in 1990. Following that, it has announced a major five-year campaign of aggressive franchising growth, part of a plan to double the size of Shoney's Inc., by 1995.

The number of units dropped by 200 restaurants in 1989.

For Lee's, the project calls for 30 new units in 1991, 40 in '92, 60 in '93, 90 in '94 and 125 in '95, or a total of 345 openings in five years.

Last year the chain added ribs and several vegetable dishes to its menu to broaden its appeal, while currently the focus is on new chicken products. A roasted chicken alternative has been rolled out to all units, and new items in test include spicy chicken wings and a

continued on page 152



Nashville-based Winner's Corp. has decided to focus more on chicken.

CHICKEN

breast filet sandwich.

Two other Southern-based concepts that had been in trouble but seem to be turning around are Bojangles of America, Charlotte, NC, and Mrs. Winner's Chicken & Biscuits, now based in Atlanta.

"The good news," says John Bifone, president of Horn & Hardart's H&H Restaurant Corp., which operates the Bojangles system, "is that the chain is doing well. The bad news is that Horn & Hardart plans to sell Bojangles."

But while future ownership remains uncertain, systemwide sales for the chain rose sharply in 1989 to $171 million, and the unit base, which shrank severely in 1988, also rebounded to a total of 160 franchised and 22 company stores. Average annual unit volumes jumped, too, from $715,000 in 1988 to $872,000 last year. The chain will probably open a total of 20 new units in 1990. Boxes of chicken continue to be its biggest seller, notes vice president of marketing Karen Braswell.

NEW DEAL. Mrs. Winner's was purchased by Russ Umphenour, head of RTM Inc., Atlanta, from Nashville-based Winner's Corp. in a deal finalized last August. RTM operates 235 Arby's restaurants and now shares five top executives with the new Mrs. Winner's Inc., including Umphenour as president.

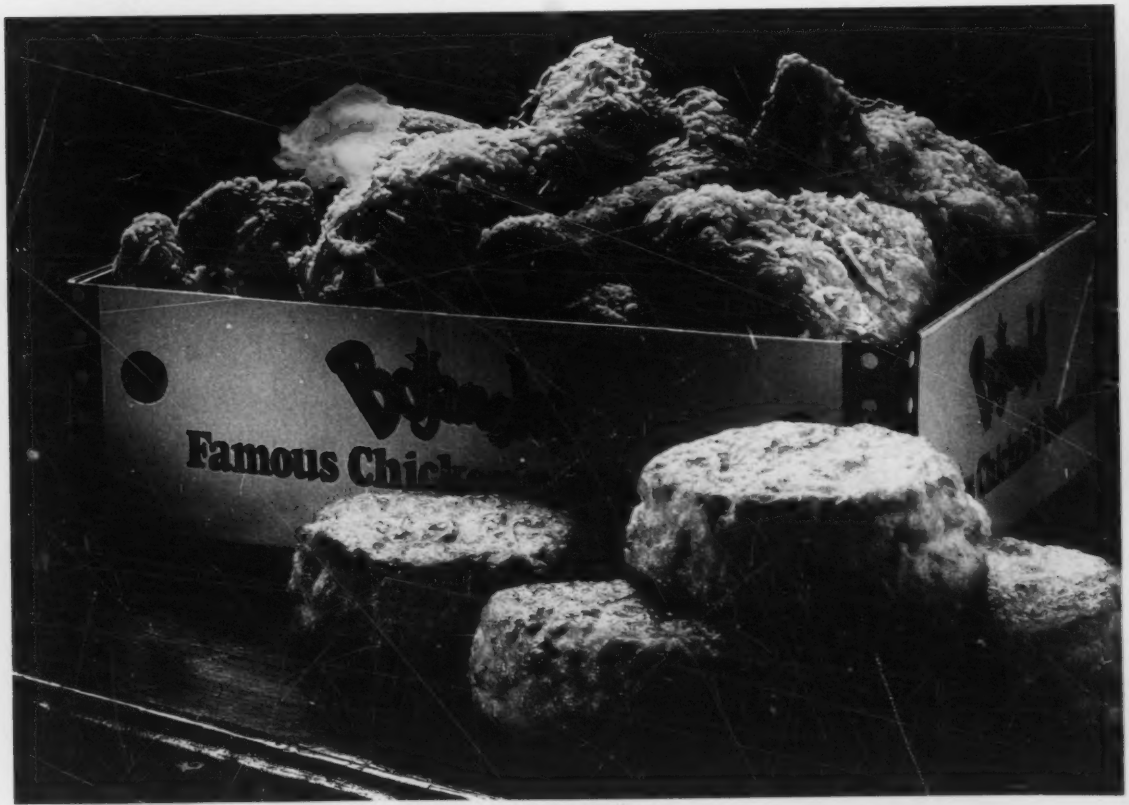
He projects sales of $85 million for the 118-unit, predominantly company-owned chain during its current fiscal year, which runs from June 1990 through May 1991.

"Sales are running 15% ahead of last year. Average store volumes have topped $700,000 and we hope to get them to $750,000 by next year," says Umphenour.

One change new management made was to drop the Southern Originals line, which featured a large number of non-chicken entrees and focus more strictly on chicken. Several new sandwiches have been introduced, including baked chicken deluxe, a marinated, boneless breast. The chain has also added buffalo wings and is testing another finger food, chicken tenders.

Mary Neal, director of marketing for Grandy's, Lewisville, TX, points out that when a chain starts to market sandwiches, as well as breakfast, the

continued on page 154



Boxes of chicken continue to be Bojangles of America's biggest seller.

CHICKEN

lower price points can dampen sales figures. Grandy's has seen some slippage in per-unit sales, which Neal also attributes to increased competition. Sales in 1989 dipped to $179 million for the company's 106 company-owned and 96 franchised U.S. stores.

The chain added a Lenten fried catfish dinner which has since become a year-round offering. It also introduced a new fruit cobbler dessert in May and is test marketing frozen yogurt.

Another major addition being formulated at press time is a roasted, skinless breast filet that should be out by fall.

INTERNATIONAL. Owned by Anwar Soliman's American Restaurant Group, Grandy's has stepped up international development in the last two years. It now has 10 Malaysian units, one in Indonesia, others set to open in Australia, and is in the process of concluding an agreement for Caribbean development.

Another chain based in Texas, but with much narrower focus than Grandy's 18-state distribution, is Golden Fried Chicken of America, based in Dallas. This 71-unit operation is working a turnaround under new ownership following its descent into Chapter XI bankruptcy almost two years ago.

The concept was rescued from demise last March by Edward Pratt Jr., and Edward Pratt III, operators of Pratt Hotel Corp., Dallas, and partner Mark Parmerlee, president of Golden Franchising Co. "The previous ownership expanded too far, too fast," Parmerlee comments.

New management plans to open about 10 units per year. Current unit sales are running a little over $300,000, he notes, and annual systemwide sales are roughly $22 million.

While traditional fried chicken is its staple, Golden is testing a sandwich and some health plates. It also offers a tenderloin product and a few stores serve fajitas. To help maintain their high level of repeat business, Parmerlee adds, the units feature manager's specials such as shrimp and chicken-fried steak.

"There's still tremendous opportunity in this segment," says Frank Portillo, president of Brown's Chicken, based in Lombard, IL. Sales for the 160-unit chain, 40% of which are company-owned, rose roughly 5% last year to $85 million. Like many others, Brown's increased its selection of chicken sandwiches and has seen lunch business grow considerably.

Locations are concentrated in Illinois, but the system also has units in Broward County, FL, and is planning further Florida expansion in 1991.

NEW MANAGEMENT. Golden Skillet International, Richmond, VA, owned by International Dairy Queen, hopes to turn its performance around with new management. Tom Winterink took over the helm as director of operations and general manager in November, following a period of lackluster performance by the group. Fully franchised, Golden Skillet operates 66 units in the U.S. including 18 in Puerto Rico, and six in Japan. Annual U.S. sales in 1989 were just $22 million.

While no new U.S. stores are planned until 1991, there are more am-

continued on page 156

TOP FIVE CHICKEN CHAINS

U.S. Sales and Units

KENTUCKY FRIED CHICKEN
(Pepsico Inc.) Louisville, KY
1989 Systemwide Sales: $3.0 billion
1989 Units: 4,937

CHURCH'S CHICKEN
(Al Copeland Enterprises Inc.) Jefferson, LA
1989 Systemwide Sales: $530 million
1989 Units: 1,111

POPEYES FAMOUS FRIED CHICKEN & BISCUITS
(Al Copeland Enterprises, Inc.) Jefferson, LA
1989 Systemwide Sales: $525 million
1989 Units: 739

CHICK-FIL-A
Atlanta, GA
1989 Systemwide Sales: $263.8 million
1989 Units: 411

GRANDY'S
(American Restaurant Group) Lewisville, TX
1989 Systemwide Sales: $179 million
1989 Units: 202

CONTENDERS TO WATCH

EL POLLO LOCO
(Co[illegible]on Partners) Irvine, CA
1989 Systemwide Sales: $175 million
1989 Units: 190

BOJANGLES
(Horn & Hardart Co.) New York, NY
1989 Systemwide Sales: $171 million
1989 Units: 182

Market Segment Report: CHICKEN

bitious expansion plans for Japan.

Pioneer Take Out, like Golden Fried, is another chain with new ownership that hopes to put financial problems behind it. The Canoga Park, CA-based chain was purchased out of Chapter XI by a partnership of LA-based Malibu Grand Prix and Shapco last September. The former is an entertainment company with other restaurants; Shapco is a plumbing distributor.

The present 200 Pioneer Take Out restaurants, 175 of which are franchised, are located predominantly in Southern California. New CFO Chuck Siconolfi says the chain is in the process of upgrading units and starting to market more aggressively. Its 1989 sales totalled $47 million.

In the Midwest, Sisters Chicken & Biscuits is still struggling to emerge from Chapter XI bankruptcy. President Hennings notes that while the firm's focus is on promoting its main product line, fried chicken, it is also occasionally adding something new, such as Buffalo wings in June. The chain already features a baked chicken dinner but is looking to supplement that with other nonfried alternatives, too.

Sales for the chain's 61 units, only five of which are franchised, reached $41 million in 1989.

Another chain whose future is highly uncertain is El Pollo Asado, whose Phoenix-based parent corporation closed its company stores last December, then filed Chapter XI in April.

MeraBank, Phoenix, which took title to the chain's name and recipes, gave franchisees the right to continue using them without paying royalties. However, further clouding the situation, the bank went into receivership in March.

Fred Roth, a Tucson franchisee, says that 22 franchisees are still operating and business is better than ever. In fact, several, including Roth, are planning to open additional stores. They have formed a loose marketing and purchasing alliance.

NEW ENTRIES. Two chains born near Boston are betting there's room in the national market for new entries in the chicken sweepstakes.

One, Cajun Joe's Fried Chicken & Biscuits, Brighton, MA, is a straightforward fried chicken chain featuring three varieties—spicy, mild, and a marinated roasted product—along with Southern sides like corn muffins, black-eyed peas, fried okra, rice, and chicken gumbo.

Cajun Joe's horizons have widened since Fred DeLuca, president of Milford, CT-based Subway, and partner Peter Buck acquired the franchising system last fall from founders Joe Barrett and Dick Cromwell. The latter two signed a long-term contract to serve as copresidents of the new corporation, in addition to retaining ownership of four company stores.

At press time, the chain had 27 units open and 30 under construction, with a total of 150 franchises sold.

Some chains are now testing grilled and baked products.

The chain got its start in the mid-'80s when Barrett and Cromwell were managing foodservice for Boston City Hospital and people started coming in off the street to purchase their fried chicken from the cafeteria. They opened their first unit in 1985 and started franchising in 1986.

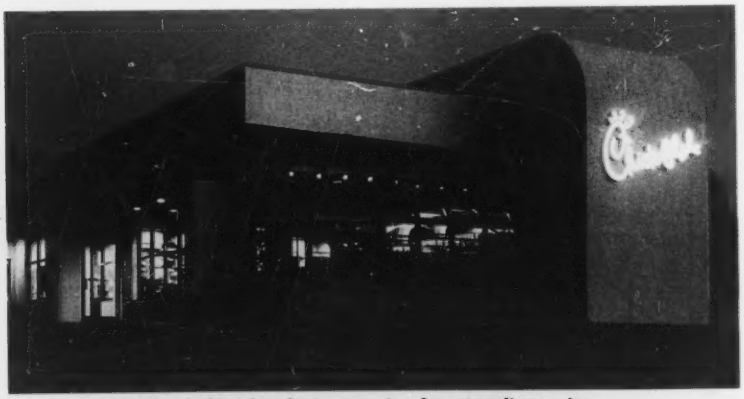
DeLuca was attracted by the stores' small, efficient design, and sees them as a good expansion vehicle for Subway owners.

A DIFFERENT APPROACH. Taking a different approach in menu and management styles is Boston Chicken. Like Cajun Joe's, Boston Chicken was founded by a local operator who has since sold the franchising system to a new development company that plans to take the concept nationwide. In this case the organization is New Boston Chicken Inc., headed by chairman of the board George Naddaf.

Boston Chicken's slogan is "Take Home Cooking." The stores feature marinated rotisseried chicken. Customers can buy whole, half, or quartered chickens, along with sides of fresh hot vegetables and homemade mashed potatoes. The menu also includes cold salads, homemade soups, and chicken pot pies.

Although the chain started as strictly take-out, several units now feature in-store seating. But 85% of volume is still off-premise.

The chain currently has over 10 units and about 18 more under construction, mainly in the greater Boston area, while other franchises have been sold in Long Island, NY, New Jersey, Philadelphia, Washington, DC, and Chicago. Unlike Cajun Joe's, Boston Chicken's program calls for area developers who can handle a large area or city, Naddaf notes. **RB**



Atlanta-based Chick-fil-A has been opening freestanding units.